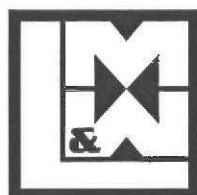


HOSPITAL SERVICE DISTRICT NO. 2
D/B/A
LASALLE GENERAL HOSPITAL
AND
LASALLE NURSING HOME

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2020, 2019, AND 2018



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Financial Statements
And
Independent Auditors' Report
Years Ended September 30, 2020, 2019, and 2018

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Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis

This section of the Hospital Service District's (the District) annual financial report presents background information and management's analysis of the Hospital Service District's financial performance during the fiscal year that ended on September 30, 2020. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The District's total assets increased by \$14,532,721 due to CARES Act cash received to mitigate the effects of the Coronavirus pandemic which began in March 2020. Decreases of \$1,845,296 and increases of \$3,048,460 occurred during fiscal years (FY) 2019 and 2018, respectively. Accounts receivable, net, decreased by \$1,030,561 and \$414,330 in fiscal years 2020 and 2019, respectively, compared to an increase of \$760,748 in fiscal year 2018. This is due to "catch-up" on write offs for non-authorized days from 2019 and 2018 with the new Behavioral Health Unit and prior year bad debts.
- During the year, the District's total operating revenues increased by \$244,091. The adjustment to Cost Report receivables and credits to contractuals at year end of approximately \$992,000 contributed to this gain. In 2019 there was a decrease of \$1,173,149 due to "clean up" of older claims and updates to the percentages used for the contractual allowance calculation. In 2018 and 2017 there were increases of \$1,896,763 and \$4,171,719, respectively. Increases in patient volume as well as increases in intergovernmental transfer grants contributed to the increase in operating revenues in prior years.
- Total operating expenses increased by \$2,329,853 or 8%, \$1,483,392 or 6% and \$2,266,919 or 9%, in fiscal years 2020, 2019, and 2018, respectively. Increases in salaries and benefits of \$1,569,898, \$432,757, and \$405,974 occurred in FYs 2020, 2019, and 2018, respectively. The FY 2020 increase was mainly due to raises given to staff during the coronavirus pandemic and \$500,000 increase in employee health insurance claims. Other expenses increased also.
- The District had a loss from operations of \$3,965,823 in fiscal year 2020 compared to a loss of \$1,880,061 in fiscal year 2019, compared to a gain from operations of \$776,480 in fiscal year 2018. The novel Coronavirus pandemic was declared in FY 2020. Losses in volume was the cause of sharp decreases in revenue from all areas of the District. Increases in expenses occurred in conjunction with decreases in revenue which increased the loss from operations. An increase in net patient service revenue of \$2,585,857 explains most of the 2018 gain. The District also received an Office of Inspector General (OIG) settlement of previously denied and recouped claims in the amount of \$1,343,029 in fiscal year 2018.

Required Financial Statements

The Financial Statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statements of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Required Financial Statements (Continued)

(assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. This statement measures improvements in the District's operations over the past two years and can be used to determine whether the District has been able to recover all of its costs through its patient service revenue and other revenue sources.

The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as "Where did cash come from?", "What was cash used for?" and "What was the change in cash balance during the reporting period"?

Financial Analysis of the Hospital Service District

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the District's activities. These two statements report the net position of the District and changes in them. Increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Net Position

Table 1 presents a condensed Statements of Net Position for the Hospital Service District.

TABLE 1
Condensed Statements of Net Position

		September 30,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total current assets	\$ 17,774,506	\$ 6,049,525	\$ 6,977,588	\$ 6,109,264
Nondepreciable capital assets	822,485	321,203	1,719,333	278,893
Depreciable capital assets - net	11,377,146	11,135,152	9,338,337	9,427,125
Assets limited to use	3,088,918	1,022,176	2,335,817	1,505,055
Other assets	<u>13,692</u>	<u>15,970</u>	<u>18,247</u>	<u>20,525</u>
 Total Assets	 \$ <u>33,076,747</u>	 \$ <u>18,544,026</u>	 \$ <u>20,389,322</u>	 \$ <u>17,340,862</u>
 Current liabilities	 \$ 13,480,797	 \$ 3,876,776	 \$ 3,756,601	 \$ 4,871,630
Long-term debt	7,443,300	3,141,610	3,331,124	99,285
Invested in capital assets, net of related debt	6,827,856	7,902,041	7,292,196	8,141,851
Restricted: debt reserve fund	3,088,918	1,022,176	2,335,817	1,505,055
Unrestricted	<u>2,235,876</u>	<u>2,601,423</u>	<u>3,673,584</u>	<u>2,723,041</u>
 Total Liabilities and Net Position	 \$ <u>33,076,747</u>	 \$ <u>18,544,026</u>	 \$ <u>20,389,322</u>	 \$ <u>17,340,862</u>

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Summary of Revenues, Expenses, and Changes in Net Position

Table 2 presents a summary of the District's historical revenues and expenses.

TABLE 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>September 30,</u> <u>2018</u>	<u>2017</u>
Revenues				
Net patient service revenue	\$ 24,181,870	\$ 24,284,999	\$ 26,137,694	\$ 23,551,837
Operating grants & IGT	1,168,178	1,489,350	768,390	1,342,687
Other operating revenue	<u>955,163</u>	<u>286,771</u>	<u>328,185</u>	<u>442,982</u>
Total Revenues	<u>26,305,211</u>	<u>26,061,120</u>	<u>27,234,269</u>	<u>25,337,506</u>
Expenses				
Salaries and benefits	15,815,045	14,245,147	13,812,390	13,406,416
Medical supplies and drugs	1,798,565	1,579,221	1,529,704	1,541,483
Professional fees	2,853,890	2,470,708	2,162,039	2,256,579
Other expenses	8,796,357	8,576,056	7,996,534	6,037,803
Depreciation and amortization	<u>1,007,177</u>	<u>1,070,049</u>	<u>957,122</u>	<u>948,589</u>
Total Expenses	<u>30,271,034</u>	<u>27,941,181</u>	<u>26,457,789</u>	<u>24,190,870</u>
Operating Income (Loss)	<u>(3,965,823)</u>	<u>(1,880,061)</u>	<u>776,480</u>	<u>1,146,636</u>
Nonoperating Revenues (Expenses)				
Property taxes	282,015	266,969	255,800	246,149
Interest income	21,775	12,740	10,939	11,196
Interest expense	(164,163)	(175,918)	(31,730)	(46,031)
Provider relief fund	3,715,413	-0-	-0-	-0-
Gain on disposal of assets	<u>-0-</u>	<u>313</u>	<u>(79,839)</u>	<u>(8,140)</u>
Changes in Net Position				
before Capital Grants	(110,783)	(1,775,957)	931,650	1,349,810
Capital grants	<u>737,793</u>	<u>-0-</u>	<u>-0-</u>	<u>3,867</u>
Increase (Decrease) in Net Position	627,010	(1,775,957)	931,650	1,353,677
Net Position at Beginning of Year	<u>11,525,640</u>	<u>13,301,597</u>	<u>12,369,947</u>	<u>11,016,270</u>
Net Position at End of Year	\$ <u>12,152,650</u>	\$ <u>11,525,640</u>	\$ <u>13,301,597</u>	\$ <u>12,369,947</u>

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Sources of Revenue

Operating Revenue

During fiscal year 2020, the District derived the majority of its total revenue from patient services. Patient service revenue includes revenue from the Medicare and Medicaid programs, commercial insurance, other various third-party payors, and patients who receive care in the District's facilities. Reimbursement for the Medicare and Medicaid programs, commercial insurance, and other third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance.

Table 3 presents the percentages by payor. The Hospital's is a percentage of gross charges billed for patient services. The Nursing Home's is based on the census.

TABLE 3
Payor Mix by Percentage

LaSalle General Hospital September 30,				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Medicare	41%	44%	45%	46%
Medicaid	27%	25%	28%	23%
Commercial Insurance	31%	29%	25%	27%
Self Pay	1%	2%	2%	4%
LaSalle Nursing Home September 30,				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Medicare	27%	26%	12%	13%
Medicaid	62%	59%	80%	75%
Commercial Insurance	N/A	N/A	N/A	N/A
Self Pay	11%	15%	8%	12%

Non-operating Income

The District has funds invested primarily in a Certificate of Deposit (CD) held during FY 2020 with Sabine State Bank which has a security interest in the CD which is collateral for a loan of \$767,870. The difference is secured by pledged securities and FDIC insurance. Limited use assets at year-end include a restricted CD of approximately \$966,871.

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Non-operating Income (Continued)

During FY 2020 the District received Provider Relief Funds of \$9,593,780 for the hospital and \$714,322 for the nursing home. This money was from the CARES Act in response to the Coronavirus pandemic. Of these funds \$3,715,413 was used in preparing, preventing and responding to the Coronavirus. The remainder is recorded as either Deferred Revenue or Limited Use Assets.

Operating and Financial Performance

The following summarizes the District's Statements of Revenues, Expenses, and Changes in Net Position between 2020, 2019, and 2018:

Overall activity at the Hospital, as measured by acute (including new unit) patient discharges, was 707, 943, and 971 in 2020, 2019, and 2018, respectively. Acute patient days were 5,159 in 2020, compared to 6,812 in 2019, and 6,185 in 2018. In fiscal year 2020, the Coronavirus pandemic resulted in a large decrease in patient days. The new Behavioral Health Unit and new detox services offered in 2019 and 2018, led to the increase in inpatient volume in those years. The overall operating loss in FY 2020 of \$3,965,823 was the result of the pandemic. The Office of Inspector General's repayment of \$1,343,029 in FY 2018 contributed to the operating gain in FY 2018. Average length of stay was 7.30 for 2020, compared to 7.22 in 2019, and 6.37 in 2018. These increases from 2020 are largely from the treatment of the Coronavirus patients. In FY 2019 the average length of stay increased due to the Behavioral Health Unit and resulted in non-payment of non-authorized days which contributed to the loss in FY 2019.

For Swing Bed activity at the Hospital during 2020, discharges were 23, 13, and 16 for 2020, 2019, and 2018, respectively. Swing Bed patient days were 311, 129, and 144 in 2020, 2019, and 2018, respectively.

The Nursing Home average census decreased from 74 to 62 residents compared to 78 residents in fiscal year 2018. This decrease in census contributed to the \$86,881 loss for the nursing home in fiscal year 2020.

Net Patient Service Revenue (NPSR) for the District stayed flat with a small decrease of \$103,129 in fiscal year 2020, compared to a decrease of \$1,852,695 or 7% in fiscal year 2019. In fiscal year 2018, NPSR increased by \$2,585,857 or 11%. The pandemic's effect on the District resulted in lower volumes in all areas of the hospital and nursing home. In 2019, large "catch-up" write-offs and 1,000 unpaid days contributed to the decrease as well as updating the allowance percentages based on current reimbursement rates. The District is actively recruiting additional physicians for the Jena rural health clinic.

With continued efforts to expand our market through both new patient services and new infrastructure, the District is positioned to move forward. The District will continue to aggressively develop, sustain and enhance access to high quality, affordable healthcare.

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Capital Assets

Table 4 presents a condensed schedule of capital assets.

TABLE 4
Capital Assets

	<u>2020</u>	<u>2019</u>	<u>September 30,</u> <u>2018</u>	<u>2017</u>
Nondepreciable capital assets				
Land	\$ 278,893	\$ 278,893	\$ 278,893	\$ 278,893
Construction in progress	<u>543,592</u>	<u>42,310</u>	<u>1,440,440</u>	<u>-0-</u>
Total nondepreciable capital assets	822,485	321,203	1,719,333	278,893
Depreciable capital assets				
Land improvements	343,621	326,878	305,258	299,446
Buildings and fixed equipment	19,274,717	18,389,253	18,069,986	17,971,668
Moveable equipment	<u>10,375,369</u>	<u>10,030,685</u>	<u>7,508,293</u>	<u>8,495,628</u>
Total depreciable capital assets	29,993,707	28,746,816	25,883,537	26,766,742
Less: accumulated depreciation	<u>18,616,561</u>	<u>17,611,664</u>	<u>16,545,200</u>	<u>17,339,617</u>
Total depreciable capital assets, net	\$ <u>11,377,146</u>	\$ <u>11,135,152</u>	\$ <u>9,338,337</u>	\$ <u>9,427,125</u>

The District's net capital assets (depreciable and non-depreciable) increased in 2020 by \$241,994, in 2019 they increased by \$1,796,818, compared to a decrease in 2018 by \$88,788. Construction in Progress increased by \$501,282 due to the ER project and Buildings and Fixed Equipment increased due to completion of second floor projects of approximately \$830,000. The District completed projects in FY 2019 and reclassified projects from construction in process to Buildings and Equipment. The largest was the lease purchase from Siemen's which was an Energy Savings HVAC system replacement at \$2,086,329.

Long-term Debt

At year-end, the District had \$8,042,940 in long-term debt. In fiscal year 2020 the District borrowed \$2,000,000 in bonds to perform needed repairs and renovations on the Hospital. Also, in FY 2020 due to the Coronavirus pandemic the District applied for and received \$2,671,165 in Paycheck Protection Plan (PPP) loans from the Small Business Administration. The District took out a \$2,500,000 loan in 2009 for construction of the Physician Office Building, which opened September 1, 2009. This loan was refinanced in fiscal year 2018 at Sabine State Bank with a balloon payment due March 23, 2023. The balance at year end is \$768,908. Capital leases totaling \$272,700 were entered into in fiscal year 2020. A lease purchase agreement with Siemen's was added to the capital leases total in FY 2018. More

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Long-term Debt (Continued)

detailed information about the District's long-term debt is presented in Note 11 to the combined financial statements.

In July 2017, it became apparent that some major renovations were necessary to the heating/cooling system in the hospital building. Part of the equipment was installed in the original building of the hospital in 1969-1970 and the other part was installed when the second floor was added in 1979-1980. When we started determining what would have to be replaced, we were told of the guaranteed energy savings contract.

In a performance-based, guaranteed energy savings contract, the Energy Services Company (ESCO) guarantees a specific reduction in energy use if required operations and maintenance procedures are followed and contractually specified operating schedules and control set points are adhered to, not necessarily tied to cost savings as utility rates and building operations may change over a defined length of time. If the guarantee is not met due to the failure of ESCO specified and installed equipment and software to reduce consumption, then the ESCO pays the owner the difference based upon agreed-upon contractual utility rates for the annual performance period. Normally the ESCO will investigate the reason for the performance failure and take steps to reduce or eliminate the consumption savings shortfall so that it does not reoccur in future years.

The Siemens Company came in and did a free in-depth study and review of all of our energy consumption (nursing home too). This included a review of the existing equipment, water bills, electricity bills, and gas bills. Siemens determined that we would qualify for an emergency savings contract. During this time, we contacted Foley and Judell, Attorneys, to determine what was needed to seek Bond Commission approval. After review, it was determined that Bond Commission approval was not needed for this lease agreement since it met certain requirements. The Board gave permission to proceed with the project, hire an independent engineer to develop project specification and then advertise for Requests for Proposals. The Siemens proposal was the only one that was submitted; therefore, the job was awarded to Siemens. Phase I was completed in FY 2019 and Phase II was completed in FY 2020.

Contacting the Hospital Service District's Financial Manager

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Hospital Service District's finances and to demonstrate the Hospital Service District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration and/or Nursing Home Administration.



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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District No. 2,
Parish of LaSalle, State of Louisiana
Jena, Louisiana

Report on Financial Statements

We have audited the accompanying combined financial statements of Hospital Service District No. 2, Parish of LaSalle, State of Louisiana (the "District"), a component unit of the LaSalle Parish Police Jury, Jena, Louisiana, as of and for the years ended September 30, 2020, 2019, and 2018, and the related notes to the financial statements, which collectively comprise the District's combined financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 2, Parish of LaSalle as of September 30, 2020, 2019, and 2018, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the combined financial statements present only the financial information of Hospital Service District No. 2 and do not purport to, and do not, present fairly the financial position of the LaSalle Parish Police Jury as of September 30, 2020, 2019, and 2018, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages "i" through "viii" be presented to supplement the combined financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the combined financial statements, and other knowledge we obtained during our audit of the combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the



Board of Commissioners
Hospital Service District No. 2
Parish of LaSalle, State of Louisiana
Jena, Louisiana
Page Three

combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants
Alexandria, Louisiana

May 24, 2021



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Statements of Net Position
September 30,

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current Assets			
Cash and cash equivalents (Note 3)	\$ 12,477,239	\$ 731,993	\$ 944,713
Limited use assets - required for current liabilities (Note 4)	22,750	12,571	13,496
Accounts receivable, net (Note 5)	2,753,599	3,784,160	4,198,490
Estimated third-party payor settlements	1,425,611	858,829	1,301,961
Other receivables	532,092	289,323	213,523
Inventory	283,873	238,717	214,000
Prepaid expenses	279,342	133,932	91,405
Total Current Assets	<u>17,774,506</u>	<u>6,049,525</u>	<u>6,977,588</u>
Non-Current Assets			
Nondepreciable capital assets (Note 6)	822,485	321,203	1,719,333
Depreciable capital assets, net (Note 6)	11,377,146	11,135,152	9,338,337
Limited use assets (Note 4)	3,088,918	1,022,176	2,335,817
Other assets (Note 7)	<u>13,692</u>	<u>15,970</u>	<u>18,247</u>
Total Assets	\$ <u>33,076,747</u>	\$ <u>18,544,026</u>	\$ <u>20,389,322</u>

LIABILITIES AND NET POSITION

Current Liabilities			
Accounts payable	\$ 1,483,594	\$ 1,531,547	\$ 1,190,472
Cash overdraft	-0-	68,602	-0-
Accrued expenses and withholdings (Note 8)	1,229,199	1,190,210	1,130,783
Estimated third-party payor settlements	272,340	278,526	272,340
Deferred revenue (Note 19)	9,262,338	-0-	-0-
Limited use assets	225,600	12,571	13,496
Retirement plan payable	408,086	382,616	715,160
Current portion of long-term debt (Note 11)	599,640	412,704	434,350
Total Current Liabilities	<u>13,480,797</u>	<u>3,876,776</u>	<u>3,756,601</u>
Long-term debt, net of current maturities (Note 11)	<u>7,443,300</u>	<u>3,141,610</u>	<u>3,331,124</u>
Total Liabilities	\$ <u>20,924,097</u>	\$ <u>7,018,386</u>	\$ <u>7,087,725</u>

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Statements of Net Position (Continued)
September 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Position			
Invested in capital assets, net of related debt	\$ 6,827,856	\$ 7,902,041	\$ 7,292,196
Restricted (Note 4)	3,088,918	1,022,176	2,335,817
Unrestricted	<u>2,235,876</u>	<u>2,601,423</u>	<u>3,673,584</u>
 Total Net Position	 <u>12,152,650</u>	 <u>11,525,640</u>	 <u>13,301,597</u>
 Total Liabilities and Net Position	 <u>\$ 33,076,747</u>	 <u>\$ 18,544,026</u>	 <u>\$ 20,389,322</u>

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues			
Net patient service revenue (Note 12)	\$ 24,181,870	\$ 24,284,999	\$ 26,137,694
Operating grants	89,150	6,162	6,428
Intergovernmental transfer grants	1,079,028	1,483,188	761,962
Other operating revenue	<u>955,163</u>	<u>286,771</u>	<u>328,185</u>
Total Operating Revenues	<u>26,305,211</u>	<u>26,061,120</u>	<u>27,234,269</u>
Operating Expenses			
Salaries and benefits	15,815,045	14,245,147	13,812,390
Medical supplies and drugs	1,798,565	1,579,221	1,529,704
Insurance	403,570	328,479	303,202
Professional fees	2,853,890	2,470,708	2,162,039
Other expenses	8,392,787	8,247,577	7,693,332
Depreciation and amortization	<u>1,007,177</u>	<u>1,070,049</u>	<u>957,122</u>
Total Operating Expenses	<u>30,271,034</u>	<u>27,941,181</u>	<u>26,457,789</u>
Operating Income (Loss)	<u>(3,965,823)</u>	<u>(1,880,061)</u>	<u>776,480</u>
Nonoperating Revenues (Expenses)			
Property taxes	282,015	266,969	255,800
Interest income	21,775	12,740	10,939
Interest expense	(164,163)	(175,918)	(31,730)
Provider relief funds	3,715,413	-0-	-0-
Gain (loss) on disposal of assets	<u>-0-</u>	<u>313</u>	<u>(79,839)</u>
Changes in Net Position before Capital Grants	(110,783)	(1,775,957)	931,650
Capital grants	<u>737,793</u>	<u>-0-</u>	<u>-0-</u>
Increase (Decrease) in Net Position	627,010	(1,775,957)	931,650
Net Position at Beginning of Year	<u>11,525,640</u>	<u>13,301,597</u>	<u>12,369,947</u>
Net Position at End of Year	\$ <u>12,152,650</u>	\$ <u>11,525,640</u>	\$ <u>13,301,597</u>

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Statements of Cash Flows
Years Ended September 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 27,511,962	\$ 25,148,647	\$ 25,182,837
Other receipts from operations	1,880,572	1,700,321	1,086,627
Cash payments to employees and for employee-related cost	(15,750,586)	(14,518,264)	(13,825,703)
Cash payments for other operating expenses	<u>(13,755,940)</u>	<u>(12,281,271)</u>	<u>(11,681,014)</u>
Net cash provided (used) by operating activities	<u>(113,992)</u>	<u>49,433</u>	<u>762,747</u>
Cash flows from investing activities:			
Proceeds from limited use assets	202,855	-0-	-0-
Interest income	<u>21,775</u>	<u>12,740</u>	<u>10,939</u>
Net cash provided (used) by investing activities	<u>224,630</u>	<u>12,740</u>	<u>10,939</u>
Cash flows from non-capital financing activities:			
Proceeds from paycheck protection	2,671,165	-0-	-0-
Proceeds from property taxes	282,015	266,969	255,800
Proceeds from provider relief funds	<u>10,105,252</u>	<u>-0-</u>	<u>-0-</u>
Net cash provided (used) by non-capital financing activities	<u>13,058,432</u>	<u>266,969</u>	<u>255,800</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,475,473)	(1,196,540)	221,660
Proceeds from bond issuance	2,000,000	-0-	1,252,517
Principal payments on long-term debt	(455,239)	(483,354)	(1,579,366)
Interest expense on long-term debt	(164,163)	(175,918)	(31,730)
Proceeds from limited use assets	(2,066,742)	491,169	(2,094,623)
Escrow withdrawals for lease purchase	-0-	822,468	1,263,861
Proceeds from capital grants	737,793	-0-	-0-
Proceeds from disposal of capital assets	<u>-0-</u>	<u>313</u>	<u>(79,839)</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(1,423,824)</u>	\$ <u>(541,862)</u>	\$ <u>(1,047,520)</u>

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Statements of Cash Flows (Continued)
Years Ended September 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net increase (decrease) in cash and cash equivalents	\$ 11,745,246	\$ (212,720)	\$ (18,034)
Beginning cash and cash equivalents	<u>731,993</u>	<u>944,713</u>	<u>962,747</u>
Ending cash and cash equivalents	\$ <u>12,477,239</u>	\$ <u>731,993</u>	\$ <u>944,713</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>164,163</u>	\$ <u>175,918</u>	\$ <u>31,730</u>
Equipment acquired under capital lease	\$ <u>272,700</u>	\$ <u>272,194</u>	\$ <u>2,528,156</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ (3,965,823)	\$ (1,880,061)	\$ 776,480
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,007,175	1,070,049	957,122
Change in current assets (increase) decrease:			
Net patient accounts receivable	1,030,561	414,330	(760,748)
Other receivables	(242,769)	(75,800)	(9,948)
Estimated third-party payor settlements	(572,968)	449,318	(194,109)
Inventory	(45,156)	(24,717)	2,920
Prepaid expenses	(145,410)	(42,487)	(3,405)
Change in current liabilities (increase) decrease:			
Accounts payable	(47,958)	343,316	14,426
Cash overdraft	(68,602)	68,602	(6,678)
Accrued expenses and withholdings payable	38,989	59,427	(45,040)
Deferred revenue	2,872,499	-0-	-0-
Retirement plan payable	<u>25,470</u>	<u>(332,544)</u>	<u>31,727</u>
Net cash provided (used) by operating activities	\$ <u>(113,992)</u>	\$ <u>49,433</u>	\$ <u>762,747</u>

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2020, 2019, and 2018

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Hospital Service District No. 2, of the Parish of LaSalle, State of Louisiana (referred to as "the District") was created in 1968 by the LaSalle Parish Police Jury.

The District is a political subdivision of the LaSalle Parish Police Jury whose jurors are elected officials. The District's five Commissioners are appointed by the LaSalle Parish Police Jury. As the governing authority of the Parish for reporting purposes, the LaSalle Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the LaSalle Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

On April 18, 2001, the District resumed control of LaSalle Nursing Home. LaSalle General Hospital and LaSalle Nursing Home are both enterprise funds within the District.

Nature of Business

The District provides acute inpatient services, behavioral health inpatient services, skilled nursing (through "Swing Beds"), emergency, home health, and outpatient services, including a rural health clinic and private physician offices. Long-term intermediate care is also provided.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2020, 2019, and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The entity is a political subdivision and is exempt from taxation.

Principles of Combination

The accompanying combined financial statements include the accounts of the Hospital Service District No. 2 of the Parish of LaSalle including LaSalle General Hospital and LaSalle Nursing Home. These are two separate enterprise funds. The District has one board. All intercompany transactions and balances have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities over 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Credit Risk

The District provides medical care primarily to LaSalle Parish residents and grants credit to patients, substantially all of whom are local residents. The District's estimate of collectability is based on an evaluation of historical collections compared to gross revenues to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians who admit over 90% of the District's patients. The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 12. Accordingly, changes in federal and state legislation or interpretations of rules have a significant impact on the District.

Inventory

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or net realizable value.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2020, 2019, and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the District is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the District services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Patient Accounts Receivable

Patient accounts receivable are carried at a net amount determined by the original charges for the services provided, less an estimate made for contractual adjustments or discounts provided to the third-party payors, less any payments received and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by utilizing a historical experience applied to an aging of accounts. Patient accounts receivable are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off as bad debt expense are recorded as a reduction of bad debt expense when received.

Capital Assets

Capital assets are recorded at cost for purchased assets or at fair market value on the date of any donation. The District uses straight-line depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings and Improvements	25 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations when incurred.

The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2020, 2019, and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The District classifies net position into three components: invested in capital assets, net of related debt; restricted, and unrestricted. Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, or contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

Revenues and Expenses

The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the District's principal activity. Non exchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

From time to time, the District receives grants and contributions from individuals or private and public organizations. Revenues from grants and contributions, including contributions of capital assets, are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Restricted Revenues

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Advertising

The District expenses advertising cost as incurred. Advertising expense for the years ended September 30, 2020, 2019, and 2018 totaled \$183,513, \$138,623, and \$101,957, respectively.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2020, 2019, and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Environmental Matters

The Hospital is subject to laws and regulations relating to the protection of the environment. The Hospital's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the Hospital's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the District. At September 30, 2020, 2019, and 2018, management is not aware of any liability resulting from environmental matters.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classification.

Resident Deposits

The Nursing Home manages residents' personal funds that are shown on the financial statements as "Limited use assets" with a related liability, "Limited use assets".

Charity Care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2020, 2019, and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87 (GASB 87). The objective of GASB Statement No. 87, Leases, is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Management is still evaluating the potential impact of adoption on the Hospital's financial statements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2021.

NOTE 3 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the District to invest in direct obligations of the United States Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the deposits of the District be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Account balances according to bank's records at September 30, 2020, for the District are as follows:

Cash in banks	\$ <u>14,880,722</u>	\$ <u>966,871</u>
Insured by FDIC	\$ <u>500,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>14,380,722</u>	\$ <u>-0-</u>
Collateralized by note payable	\$ <u>-0-</u>	\$ <u>716,871</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2020, 2019, and 2018

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risks - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured, entirely collateralized by securities held by the pledging bank's trust department in the District's name, or collateralized by the note payable, at September 30, 2020, 2019, and 2018.

Concentration of Credit Risks - The District has 94% of its cash and cash equivalents at The Community Bank in checking accounts. The District has 6% of its cash and cash equivalents at Sabine State Bank in a certificate of deposit.

Interest Rate Risks - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment takes to mature, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

The carrying amounts of deposits and investments are included in the District's statements of net position as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Carrying amounts			
Deposits	\$ 12,477,239	\$ 731,993	\$ 944,713
Limited use escrow	-0-	-0-	822,468
Limited use cash	<u>3,314,518</u>	<u>1,034,747</u>	<u>1,526,845</u>
Total	\$ <u>15,791,757</u>	\$ <u>1,766,740</u>	\$ <u>3,294,026</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 12,477,239	\$ 731,993	\$ 944,713
Limited use assets - required for current liabilities	225,600	12,571	13,496
Limited use assets	<u>3,088,918</u>	<u>1,022,176</u>	<u>2,335,817</u>
Total	\$ <u>15,791,757</u>	\$ <u>1,766,740</u>	\$ <u>3,294,026</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2020, 2019, and 2018

NOTE 4 - LIMITED USE ASSETS

Limited use assets consist of the following items at September 30:

<u>By Third Parties</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Debt reserve fund	\$ 966,871	\$ 961,520	\$ 1,513,349
Restricted cash - grants	122,047	60,656	-0-
Series 2020 proceeds to be disbursed	2,000,000	-0-	-0-
Provider relief fund - testing	202,850	-0-	-0-
Escrow for lease purchase	-0-	-0-	822,468
Patient trust funds	22,750	12,571	13,496
Required for current liabilities	<u>(225,600)</u>	<u>(12,571)</u>	<u>(13,496)</u>
Limited use assets	\$ <u>3,088,918</u>	\$ <u>1,022,176</u>	\$ <u>2,335,817</u>

A certificate of deposit is being used to collateralize the refinancing of the Medical Office Building debt. It is included as part of the debt reserve fund. According to debt covenants, this amount must remain on deposit to fully collateralize the amount borrowed until the loan is paid in full. The escrow account was set up to pay the amounts due during the construction phase of the lease purchase energy saving project. Both of these assets are restricted as to use. Bond proceeds of \$2,000,000 at September 30, 2020 are restricted for certain projects. Provider Relief Funds of \$202,850 for the Nursing Home are restricted for Covid related testing.

NOTE 5 - ACCOUNTS RECEIVABLE

A summary of accounts receivable as of September 30, is presented below:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Patient accounts receivable	\$ 4,903,072	\$ 4,755,291	\$ 5,410,169
Estimated uncollectibles	<u>(2,149,473)</u>	<u>(971,131)</u>	<u>(1,211,679)</u>
Net accounts receivable	\$ <u>2,753,599</u>	\$ <u>3,784,160</u>	\$ <u>4,198,490</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2020, 2019, and 2018

NOTE 5 - ACCOUNTS RECEIVABLE (Continued)

The following is a summary of the mix of accounts receivable from patients and third-party payors at September 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Medicare	32%	32%	27%
Medicaid	19%	28%	37%
Blue Cross	8%	6%	6%
Commercial and other third-party payors	30%	24%	19%
Patients	<u>11%</u>	<u>10%</u>	<u>11%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Medicare, Medicaid, and third-party payors are shown net of contractual allowances.

NOTE 6 - CAPITAL ASSETS

The following is a summary of capital assets and related accumulated depreciation for the year ended September 30:

	<u>2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2020</u>
Nondepreciable capital assets					
Land	\$ 278,893	\$ -0-	\$ -0-	\$ -0-	\$ 278,893
Construction in progress	<u>42,310</u>	<u>501,282</u>	<u>-0-</u>	<u>-0-</u>	<u>543,592</u>
Total nondepreciable capital assets	\$ <u>321,203</u>	\$ <u>501,282</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>822,485</u>
Depreciable capital assets					
Land improvements	\$ 326,878	\$ 16,743	\$ -0-	\$ -0-	\$ 343,621
Buildings and fixed equipment	18,389,253	885,464	-0-	-0-	19,274,717
Moveable equipment	<u>10,030,685</u>	<u>344,684</u>	<u>-0-</u>	<u>-0-</u>	<u>10,375,369</u>
Total depreciable capital assets	28,746,816	1,246,891	-0-	-0-	29,993,707
Accumulated depreciation	<u>17,611,664</u>	<u>1,004,897</u>	<u>-0-</u>	<u>-0-</u>	<u>18,616,561</u>
Total depreciable capital assets, net	\$ <u>11,135,152</u>	\$ <u>241,994</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>11,377,146</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2020, 2019, and 2018

NOTE 6 - CAPITAL ASSETS (Continued)

The following is a summary of capital assets and related accumulated depreciation for the year ended September 30:

	<u>2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2019</u>
Nondepreciable capital assets					
Land	\$ 278,893	\$ -0-	\$ -0-	\$ -0-	\$ 278,893
Construction in progress	<u>1,440,440</u>	<u>437,460</u>	<u>-0-</u>	<u>(1,835,590)</u>	<u>42,310</u>
Total nondepreciable capital assets	\$ <u>1,719,333</u>	\$ <u>437,460</u>	\$ <u>-0-</u>	\$ <u>(1,835,590)</u>	\$ <u>321,203</u>
Depreciable capital assets					
Land improvements	\$ 305,258	\$ 21,620	\$ -0-	\$ -0-	\$ 326,878
Buildings and fixed equipment	18,069,986	164,664	-0-	154,603	18,389,253
Moveable equipment	<u>7,508,293</u>	<u>841,405</u>	<u>-0-</u>	<u>1,680,987</u>	<u>10,030,685</u>
Total depreciable capital assets	25,883,537	1,027,689	-0-	1,835,590	28,746,816
Accumulated depreciation	<u>16,545,200</u>	<u>1,070,049</u>	<u>3,585</u>	<u>-0-</u>	<u>17,611,664</u>
Total depreciable capital assets, net	\$ <u>9,338,337</u>	\$ <u>(42,360)</u>	\$ <u>(3,585)</u>	\$ <u>1,835,590</u>	\$ <u>11,135,152</u>

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NOTE 6 - CAPITAL ASSETS (Continued)

The following is a summary of capital assets and related accumulated depreciation for the year ended September 30:

	<u>2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2018</u>
Nondepreciable capital assets					
Land	\$ 278,893	\$ -0-	\$ -0-	\$ -0-	\$ 278,893
Construction in progress	<u>-0-</u>	<u>1,643,541</u>	<u>-0-</u>	<u>(203,101)</u>	<u>1,440,440</u>
Total nondepreciable capital assets	\$ <u>278,893</u>	\$ <u>1,643,541</u>	\$ <u>-0-</u>	\$ <u>(203,101)</u>	\$ <u>1,719,333</u>
Depreciable capital assets					
Land improvements	\$ 299,446	\$ 5,812	\$ -0-	\$ -0-	\$ 305,258
Buildings and fixed equipment	17,971,668	-0-	51,598	149,916	18,069,986
Moveable equipment	<u>8,495,628</u>	<u>772,788</u>	<u>1,813,308</u>	<u>53,185</u>	<u>7,508,293</u>
Total depreciable capital assets	26,766,742	778,600	1,864,906	203,101	25,883,537
Accumulated depreciation	<u>17,339,617</u>	<u>955,077</u>	<u>1,749,494</u>	<u>-0-</u>	<u>16,545,200</u>
Total depreciable capital assets, net	\$ <u>9,427,125</u>	\$ <u>(176,477)</u>	\$ <u>115,412</u>	\$ <u>203,101</u>	\$ <u>9,338,337</u>

NOTE 7 - OTHER ASSETS

Other assets at September 30, consists of the following:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Start up costs for Behavioral Health Unit, net of straight-line amortization over 120 months	\$ 13,667	\$ 15,945	\$ 18,222
Deposits	<u>25</u>	<u>25</u>	<u>25</u>
Total	\$ <u>13,692</u>	\$ <u>15,970</u>	\$ <u>18,247</u>

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NOTE 8 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at September 30 consist of the following:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Accrued employee insurance payable (net of accrued stop loss receivable)	\$ 173,757	\$ 261,754	\$ 304,370
Accrued interest payable	290,360	256,601	222,841
Accrued salaries and fees payable	285,968	225,968	157,764
Accrued compensated absences	442,986	404,316	393,589
Payroll withholdings	15,672	19,714	27,777
Provider tax payable	<u>20,456</u>	<u>21,857</u>	<u>24,442</u>
 Total	 \$ <u>1,229,199</u>	 \$ <u>1,190,210</u>	 \$ <u>1,130,783</u>

NOTE 9 - COMPENSATED ABSENCES

Employees of the District are entitled to paid vacation and sick days depending on job classification, length of service and other factors. It is impracticable to estimate the amount of accrued compensation for future unvested sick days and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of unvested sick pay when actually paid to the employee. However, vested vacation, sick, and paid days off have been recorded as a liability in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

NOTE 10 - RETIREMENT PLAN

The Hospital has a qualified contributory defined contribution plan "LaSalle General Hospital Money Purchase Pension Plan" under Internal Revenue code of 1986, including any later amendments to the code providing retirement benefits for substantially all of its employees. The plan was restated August 15, 2013. The Plan administrator is the Hospital. The Hospital expects to continue the plan indefinitely but reserves the right to terminate the plan in whole or in part at any time upon giving written notice to all parties concerned. Annually, the Hospital contributes 5.1 percent of the aggregate compensation of eligible employees to the Plan. The liability recorded as "Retirement Plan Payable" on the Combined Statements of Net Position includes employer matching contributions for fiscal year 2020. Mandatory contributions by the employee consist of 6.2 percent of their compensation. An employee must be age 18 or older to participate in the plan. An employee is 100 percent vested upon entry to the plan with normal retirement age being 65 years of age. The Principal is the plan trustee.

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NOTE 10 - RETIREMENT PLAN (Continued)

The Hospital also has a deferred compensation plan "LaSalle General Hospital Deferred Compensation Plan". The plan was intended to meet the requirements of Section 457 of the Internal Revenue Code of 1986, including any later amendments. The plan was restated, effective August 15, 2013. The Plan administrator is the Hospital. Employee voluntary salary contributions have a discretionary match of up to 2.5 percent by the employer. An employee is 100 percent vested upon entry to the plan with normal retirement age being 70 1/2 years of age. The employer discretionary match is determined by the employer and can be amended by the employer at their discretion. The Principal is the plan trustee.

Employee and employer contributions were as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employee	\$ <u>780,359</u>	\$ <u>719,726</u>	\$ <u>687,845</u>
Employer	\$ <u>566,592</u>	\$ <u>526,546</u>	\$ <u>509,326</u>

The Nursing Home sponsors a tax-deferred annuity arrangement "Security Benefits 457 Deferred Compensation Plan", exempt under Section 457 of the Internal Revenue Code that covers all employees who have completed at least 1,000 hours of service per year. The employees must be 21 years of age or older to participate. An employee is 100 percent vested upon entry to the plan with normal retirement age being 70 1/2 years of age. Employees may elect to make contributions of up to \$10,000 to the annuity through a salary reduction agreement. The Nursing Home pays participating employees 50% of their contributions currently. This percentage is at the Board's discretion and is reviewed each year. For the years ended September 30, 2020, 2019, and 2018, the amount of pension expense was \$16,440, \$13,578, and \$9,508, respectively. Security Benefits administers the above plan.

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NOTE 11 - LONG-TERM DEBT

A summary of long-term debt at September 30 follows:

	<u>2019</u>	<u>Additions</u>	<u>Payments</u>	<u>2020</u>	<u>Due Within One Year</u>
Lease Purchase	\$ 1,995,900	\$ -0-	\$ 79,427	\$ 1,916,473	\$ 92,672
Note Payable - SSB	973,709	-0-	204,801	768,908	196,597
Bond Payable	-0-	2,000,000	-0-	2,000,000	81,000
SBA Paycheck Protection	-0-	2,671,165	-0-	2,671,165	-0-
Capital Leases	<u>584,705</u>	<u>272,700</u>	<u>171,011</u>	<u>686,394</u>	<u>229,371</u>
Total	\$ <u>3,554,314</u>	\$ <u>4,943,865</u>	\$ <u>455,239</u>	\$ <u>8,042,940</u>	\$ <u>599,640</u>

	<u>2018</u>	<u>Additions</u>	<u>Payments</u>	<u>2019</u>	<u>Due Within One Year</u>
Lease Purchase	\$ 2,086,329	\$ -0-	\$ 90,429	\$ 1,995,900	\$ 79,427
Note Payable - SSB	1,160,176	-0-	186,467	973,709	189,423
Capital Leases	<u>518,969</u>	<u>272,194</u>	<u>206,458</u>	<u>584,705</u>	<u>143,854</u>
Total	\$ <u>3,765,474</u>	\$ <u>272,194</u>	\$ <u>483,354</u>	\$ <u>3,554,314</u>	\$ <u>412,704</u>

	<u>2017</u>	<u>Additions</u>	<u>Payments</u>	<u>2018</u>	<u>Due Within One Year</u>
Lease Purchase	\$ -0-	\$ 2,086,329	\$ -0-	\$ 2,086,329	\$ 90,429
Note Payable - SSB	1,344,181	1,252,517	1,436,522	1,160,176	186,869
Capital Leases	<u>219,986</u>	<u>441,827</u>	<u>142,844</u>	<u>518,969</u>	<u>157,052</u>
Total	\$ <u>1,564,167</u>	\$ <u>3,780,673</u>	\$ <u>1,579,366</u>	\$ <u>3,765,474</u>	\$ <u>434,350</u>

The following are the terms and due dates of the District's long-term debt at September 30:

- Limited Tax Bonds, Series 2020 at a combined rate of 3.57% collateralized by a pledge and dedication of hospital revenue, with principal annually and interest semi-annually, starting September 1, 2020 through March 1, 2032.

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NOTE 11 - LONG-TERM DEBT (Continued)

- Paycheck Protection Program (PPP) loan was used to pay employee payroll expenses. The hospital received \$2,040,350 and the nursing home received \$630,815. Loan has one year deferment from original issuance date of May 6, 2020; however, a six-month deferment was granted beyond the one-year timeframe. If not forgiven, then it will be repaid in 18 monthly installments including principal and interest at 1%.
- Capital lease with GE at 6.03% due in monthly payments of \$4,578 until February 2, 2025, secured with Mammography machine.
- Capital lease with Tri Tech Medical at 2.48% due in monthly payments of \$667 until March 29, 2025, secured with Telemetry machines.
- Capital lease with GE at 1.04% due in monthly payments of \$4,058 until September 15, 2019, secured with Mammography machine.
- Capital lease with GE Capital at 1.825%, due in monthly payments of \$700 until July 1, 2022, secured by Bone Density equipment.
- Capital lease with GE at 6.25%, due in monthly payments of \$6,964 until June 1, 2023, secured by Cat Scan equipment.
- Capital lease with Stryker Flex Financial at imputed interest rate of 5.8%, due in annual payments of \$20,153 until May 1, 2019, secured by two LifePak defibrillators.
- Secured Note Payable at Sabine State Bank (SSB) at 1.4%, secured by certificate of deposit of \$1,505,054, due in monthly payments of \$16,807 until March 2018, when a balloon payment of \$1,251,363 is due.
- Secured Note Payable (MOB) at 1.4%, secured by certificate of deposit of \$961,520, due in monthly payments of \$16,807 until March 23, 2023, when a balloon payment of \$298,169 is due. This note was refinanced with the Secured Note Payable at Sabine State Bank.
- Lease Purchase Energy Savings agreement with Siemens at 4.6%, entered into May 24, 2018, due in variable quarterly payments until May 24, 2033, secured by various equipment. Energy savings should be available to pay lease payments.
- Capital lease with Siemens at interest rate of 7.8%, due in monthly payments of \$3,500 until September of 2023, secured by laboratory equipment.
- Capital lease with Bancorp South at interest rate of 3.8%, due in monthly payments of \$1,810 until August 2023, secured by radiology equipment.

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NOTE 11 - LONG-TERM DEBT (Continued)

Scheduled principal and interest repayments on the long-term debt follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Long-Term Debt</u>		<u>Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 327,597	\$ 72,112	\$ 294,712	\$ 120,572
2022	2,098,245	121,468	313,559	104,587
2023	1,423,231	75,141	294,497	87,732
2024	148,000	53,503	748,743	304,248
2025 - 2029	841,000	187,506	951,356	385
2030 and thereafter	<u>602,000</u>	<u>35,965</u>	<u>-0-</u>	<u>-0-</u>
Totals	\$ <u>5,440,073</u>	\$ <u>545,695</u>	\$ <u>2,602,867</u>	\$ <u>617,524</u>

Assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases in the amount of \$322,573 is included in the depreciation expense. Net book value of capital leases is \$3,410,807 in 2020.

NOTE 12 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2022, as extended by Congress. The additional payments received under the Medicare low volume add-on were approximately \$312,112, \$434,024, and \$399,462 for the years ended September 30, 2020, 2019, and 2018. The District qualifies as a Medicare Dependent Hospital. This designation provides for enhanced Medicare reimbursement rates, including increased reimbursement for decreases in volume greater than 5%. This designation was extended by Congress to September 30, 2022. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day based on clinical, diagnostic, and other factors. Inpatient behavioral health services are reimbursed based upon a prospective methodology based upon length of stay, diagnosis, and other factors. Home health services are paid by Medicare under a per episode

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NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

prospective payment system (PPS). The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid based on a prospectively determined fee schedule. The District is reimbursed at a tentative rate for cost-based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. Home health services are paid by Medicaid under a PPS per visit method.

Commercial - The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates. Blue Cross is the largest commercial provider. Blue Cross charges were 10%, 9%, and 10%, of total charges for the years ended September 30, 2020, 2019, and 2018, respectively.

The Hospital experienced no material differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts for fiscal years 2020, 2019, and 2018.

The Hospital's previous reimbursements are also subject to secondary review by Medicare and Medicaid representatives. These representatives have several initiatives in progress. No material liabilities have been identified to date under these review programs; however, the potential exists for future claims. These will be recognized in the year the amounts are determined, if any.

The District d/b/a LaSalle Nursing Home entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health (LDH) as part of the "Non-State Governmental Organization Nursing Facilities Medicaid Upper Payment Limit Program (SPA)". This Medicaid supplemental payment is to be used as a match within the Medicaid program. In fiscal year 2020 the District received a total of \$1,361,752 of which \$560,580 was submitted to LDH as an IGT. In fiscal year 2019 the District received a total of \$1,217,265 of which \$521,901 was submitted to LDH as an IGT. In fiscal year 2018 the District received a total of \$1,448,147 of which \$648,633 was submitted to LDH as an IGT.

The District d/b/a LaSalle General Hospital entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health (LDH) as part of Louisiana Physician IPA, Inc. which is a physician supplemental program. In fiscal year 2020 the District received a total of \$1,034,774 of which \$629,674 was submitted to LDH as an IGT. In fiscal year 2019 the District received a total of \$1,215,343 of which \$477,846 was submitted to LDH as an IGT. In fiscal year 2018 the District received a total of \$515,812 of which \$229,432 was submitted to LDH as an IGT.

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NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

The following is a summary of the District's net patient service revenue for the years ended September 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Gross charges	\$ 53,378,711	\$ 56,978,062	\$ 53,759,155
Less charges associated with charity patients	<u>(20,268)</u>	<u>(36,024)</u>	<u>(23,398)</u>
Gross patient service revenue	53,358,443	56,942,038	53,735,757
Less deductions from revenue:			
Contractual adjustments	(27,410,590)	(30,868,466)	(25,423,115)
Nursing Home Intergovernmental Transfer	1,361,752	1,217,265	1,448,147
Physician supplemental revenue	1,034,774	1,215,343	515,812
OIG settlement	-0-	-0-	(1,343,029)
Policy and other discounts	<u>(2,301,676)</u>	<u>(2,438,961)</u>	<u>(1,409,690)</u>
Patient service revenue (net of contractual adjustments and discounts)	26,042,703	26,067,219	27,523,882
Less provision for bad debts	<u>(1,860,833)</u>	<u>(1,782,220)</u>	<u>(1,386,188)</u>
Net patient service revenue less provision for bad debts	\$ <u>24,181,870</u>	\$ <u>24,284,999</u>	\$ <u>26,137,694</u>

The District receives a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. The following is a summary of gross Medicare and Medicaid patient revenues for the years ended September 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Medicare and Medicaid gross patient charges	\$ 35,824,690	\$ 40,078,522	\$ 40,291,905
Contractual adjustments	<u>(16,787,593)</u>	<u>(20,618,927)</u>	<u>(18,741,719)</u>
Program patient service revenues	\$ <u>19,037,097</u>	\$ <u>19,459,595</u>	\$ <u>21,550,186</u>
Percent of total gross patient charges	<u>67%</u>	<u>70%</u>	<u>75%</u>
Percent of total net patient revenue	<u>79%</u>	<u>80%</u>	<u>82%</u>

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NOTE 13 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations or equity amounts assigned to the District by the trust fund in its financial statements.

NOTE 14 - WORKMEN'S COMPENSATION RISK

The District participates in the Louisiana Hospital Association Self-Insurance Worker's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations or equity amounts assigned to the District by the trust fund in its financial statements.

NOTE 15 - EMPLOYEE MEDICAL BENEFIT PLAN

The District is self-insured to provide group medical and drug coverage for its employees. The District entered into an agreement on November 1, 1997, with a third-party administrator to administer the plan. The third-party administrator is Insurance Management Services (IMS). The plan year runs from December 1 through November 30. The District funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier provides for payment of 100% of claims in excess of \$75,000 per covered individual. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims' experience, recently settled claims, and frequency of claims. It is reasonably possible that the District's estimate will change by a material amount in the near term.

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NOTE 15 - EMPLOYEE MEDICAL BENEFIT PLAN (Continued)

The following is a summary of changes in the Hospital's claims liability for the year ended September 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning of the year	\$ 261,754	\$ 304,370	\$ 350,018
Plus: Claims incurred and changes in estimate, net of reinsurance	1,184,870	784,701	928,271
Less: Claims paid	<u>1,272,867</u>	<u>827,317</u>	<u>973,919</u>
End of the year	\$ <u>173,757</u>	\$ <u>261,754</u>	\$ <u>304,370</u>

NOTE 16 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 12) - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare programs, the Hospital entered into an agreement with a government agent allowing the agent access to the Hospital's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determination. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital.

The District received an Office of Inspector General (OIG) settlement in the amount of \$1,343,029 during fiscal year 2018, related to claims that were originally denied and recouped by the Medicare intermediary during fiscal year 2013.

The healthcare industry is subject to numerous laws and regulations of Federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, privacy, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws

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NOTE 16 - CONTINGENCIES (Continued)

and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a global pandemic. As a result, uncertainties have arisen that may have a significant impact on the operating activities and results of the District. The occurrence and extent of such an impact will depend on future developments, including the duration and spread of the virus, government quarantine measures, voluntary and precautionary restriction on travel or meetings, the effects on the financial markets, and the effects on the economy overall, all of which are uncertain. As described in Note 18, the District received \$10,105,252 in Provider Relief Funds (PRF) to prevent, prepare for and respond to the coronavirus and as reimbursement to the District for eligible expenses and lost revenues. Additionally, the District applied for and received \$2,872,499 in Medicare advance payments as described in Note 19 to aid in the reduction of cash flow due to restrictions placed on the District. The District also applied for and received a Paycheck Protection Program (PPP) loan, described in Note 11, in order to continue paying employee salaries and wages during the COVID -19 pandemic.

Professional Liability Risk (Note 13) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk (Note 14) - The district is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Self-Funded Health Insurance Risk (Note 15) - The Hospital has a self-funded health insurance plan administered by Insurance Management Services. Provision has been made for incurred but non-reported claims in the amount of \$300,000. Accordingly, the Hospital is contingently liable for claims that may be reported subsequent to the balance sheet date. The Hospital has acquired stop-loss insurance to cover individual claims exceeding \$75,000.

NOTE 17 - CHARITY CARE

The District provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a per-diem based on the patient's level of income. Accordingly, the District does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The District determines the cost associated with providing charity care by aggregating the applicable direct and indirect costs, including

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NOTE 17 - CHARITY CARE (Continued)

wages and related benefits, supplies and other operating expenses. The cost of caring for charity care patients was approximately \$12,000, \$18,000, and \$11,000 in 2020, 2019, and 2018, respectively. The amount of charges foregone for services and supplies furnished under the District's charity care policy aggregated approximately \$20,000, \$36,000, and \$23,000 in 2020, 2019, and 2018, respectively.

NOTE 18 - PROVIDER RELIEF FUNDS

The District received approximately \$10,105,252 in Provider Relief Funds (the funds) via the Coronavirus Aid, Relief, and Economic Security (CARES) Act during the fiscal year ending September 30, 2020. The funds were issued by the U.S. Department of Health & Human Services (HHS) in response to the Coronavirus pandemic to be utilized for healthcare related expenses and lost revenues attributable to coronavirus. The District recognized approximately \$3,715,413 as nonoperating grant revenue in the fiscal year ending September 30, 2020, based on the information available as of September 30, 2020. The unrecognized amount is reported as deferred revenue in the accompanying statement of net position. The District will submit an initial report of healthcare related expenses and lost revenues attributable to coronavirus from inception through December 31, 2020, and a final report from January 1, 2021 through June 30, 2021. Funds received in excess of the reported expenses and lost revenues, if any, will be owed to HHS. As a result, the amount recorded in the financial statements compared to the District's Provider Relief Fund reporting could differ. This difference could be materially different from the current estimates.

NOTE 19 - DEFERRED REVENUE

The unspent portion of the above PRF has been recorded as deferred revenue in the amount of \$6,389,839 for the hospital. The total amount recorded as deferred revenue is \$9,262,338, including the Medicare Advances in the amount of \$2,872,499, as discussed in Note 16, received by the District.

NOTE 20 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2020, 2019, and 2018

NOTE 20 - OPERATING LEASES (Continued)

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2020, that have initial or remaining lease terms in excess of one year.

Year Ending September 30,	<u>Amount</u>
2020	\$ 10,842
2021	10,842
2022	<u>2,718</u>
Total minimum future lease payments	\$ <u><u>24,402</u></u>

NOTE 21 - PROPERTY TAXES

The District levies a property tax on all property subject to taxation in the service district. A 10-year 10.45 mill tax was effective thru 2012, to be dedicated and used for operating, maintaining, renovating, and improving emergency medical services. This tax was renewed for a maximum of 5.0 mills for 10 years in October 2012 and will be effective until the year 2022. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the District. Property tax notices are mailed by November 15 each year, are due by December 31, and become delinquent on January 31.

NOTE 22 - INTERGOVERNMENTAL TRANSFER GRANTS

The District entered into a cooperative endeavor agreement with a regional hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant ("IGT") to be used solely to provide adequate and essential medically necessary and available healthcare services to the District's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$954,028, \$1,483,188, and \$761,962 for the fiscal years 2020, 2019, and 2018, respectively.

NOTE 23 - SUBSEQUENT EVENTS

Events have been evaluated through May 24, 2021 for subsequent event disclosure, which is the date the financial statements were available to be issued.

Subsequent to year end the Hospital's Paycheck Protection loan in the amount of \$2,040,350 was forgiven by the Small Business Administration.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2020, 2019, and 2018

NOTE 23 - SUBSEQUENT EVENTS (Continued)

Subsequent to year end the Hospital entered into construction contracts to renovate and upgrade the hospital in response to and preparing for additional pandemic related issues. They also leased Radiology equipment

SUPPLEMENTARY INFORMATION

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Net Patient Service Revenue
Years Ended September 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Routine services:			
Adult and pediatric	\$ 6,107,017	\$ 6,529,397	\$ 5,622,315
Swing bed	628,500	264,600	288,000
Behavioral health unit	7,295,375	7,903,741	6,793,160
Nursing home services	<u>5,845,956</u>	<u>5,644,910</u>	<u>6,488,551</u>
 Total routine services	 <u>19,876,848</u>	 <u>20,342,648</u>	 <u>19,192,026</u>
Other professional services:			
Radiology	5,274,372	5,871,558	5,793,182
Laboratory and blood	9,323,425	9,862,820	9,038,102
IV therapy	813,356	975,547	931,381
Respiratory therapy, EEG, & EKG	2,242,236	2,702,708	2,735,697
Physical therapy	934,059	839,714	764,788
Occupational therapy	362,221	447,364	331,166
Speech therapy	289,934	440,295	402,637
Medical supply	476,009	464,531	612,791
Pharmacy	1,809,100	2,125,761	2,112,761
Wellness center	7,912	14,754	10,519
Emergency service	4,345,768	4,871,418	4,823,633
Observation room	862,625	832,125	172,757
Ambulance service	2,804,846	2,696,542	2,487,248
Home health services	554,330	650,960	552,013
Jena Rural Health Clinic	3,386,113	3,838,147	3,798,454
Industrial medicine	<u>15,557</u>	<u>1,170</u>	<u>-0-</u>
 Total other professional services	 <u>33,501,863</u>	 <u>36,635,414</u>	 <u>34,567,129</u>
 Gross charges	 \$ <u>53,378,711</u>	 \$ <u>56,978,062</u>	 \$ <u>53,759,155</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Net Patient Service Revenue (Continued)
Years Ended September 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Less charges associated with charity patients	\$ <u>(20,268)</u>	\$ <u>(36,024)</u>	\$ <u>(23,398)</u>
Gross patient service revenue	53,358,443	56,942,038	53,735,757
Less deductions from revenue:			
Medicare and Medicaid contractual adjustments	(19,184,119)	(23,051,535)	(19,362,649)
Nursing Home Intergovernmental Transfer	1,361,752	1,217,265	1,448,147
Physician supplemental revenue	1,034,774	1,215,343	515,812
OIG settlement	-0-	-0-	(1,343,029)
Other contractual adjustments	(8,226,471)	(7,816,931)	(6,060,466)
Policy and other discounts	<u>(2,301,676)</u>	<u>(2,438,961)</u>	<u>(1,409,690)</u>
Patient service revenue (net of contractual adjustments and discounts)	26,042,703	26,067,219	27,523,882
Less provision for bad debts	<u>(1,860,833)</u>	<u>(1,782,220)</u>	<u>(1,386,188)</u>
Net patient service revenue	\$ <u><u>24,181,870</u></u>	\$ <u><u>24,284,999</u></u>	\$ <u><u>26,137,694</u></u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Other Operating Revenue
Years Ended September 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Purchase discounts taken	\$ 5,518	\$ 143	\$ -0-
Cafeteria	113,052	126,579	119,103
Medical record abstracts	1,588	1,239	1,848
Vending	1,191	2,519	2,271
Ambulance reimbursement	168,261	82,053	101,008
Medical office rent	16,693	13,955	18,230
Pharmacy 340B	622,579	-0-	62,164
Miscellaneous revenue	<u>26,281</u>	<u>60,283</u>	<u>23,561</u>
 Total other operating revenue	 \$ <u>955,163</u>	 \$ <u>286,771</u>	 \$ <u>328,185</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Expenses - Salaries and Benefits
Years Ended September 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Salaries:			
Administration	\$ 1,212,916	\$ 1,165,943	\$ 1,145,356
Plant operations and maintenance	232,371	219,696	201,264
Laundry	22,006	19,528	10,146
Housekeeping	474,901	399,372	420,381
Dietary and cafeteria	457,203	430,661	422,798
Nursing administration	432,909	369,211	417,384
Medical records	269,719	304,265	264,331
Social services	90,114	112,805	123,985
Nursing services - acute	1,301,366	1,180,480	1,030,706
Nursing services - long-term care	2,341,894	1,973,708	2,237,600
Behavioral health	53,334	63,022	40,763
Wellness center	27,457	16,441	-0-
Radiology	527,655	522,453	531,963
Laboratory	362,634	338,418	300,461
Respiratory therapy	338,581	249,617	219,795
Physical therapy	215,303	234,490	194,487
Occupational therapy	109,711	106,196	105,246
Speech therapy	87,873	87,574	82,671
Central supply	117,773	142,068	144,068
Pharmacy	249,436	238,829	242,314
Emergency room	1,117,744	1,084,971	1,024,726
Ambulance	719,738	739,934	541,412
Home health	326,161	351,093	318,807
Jena Rural Health Clinic	1,884,389	1,651,283	1,459,156
Industrial medicine	65,407	37,106	-0-
Total salaries	<u>13,038,595</u>	<u>12,039,164</u>	<u>11,479,820</u>
Benefits:			
Payroll taxes	484,977	443,866	436,120
Health insurance	1,510,218	1,038,026	1,185,318
Other	781,255	724,091	711,132
Total benefits	<u>2,776,450</u>	<u>2,205,983</u>	<u>2,332,570</u>
Total salaries and benefits	<u>\$ 15,815,045</u>	<u>\$ 14,245,147</u>	<u>\$ 13,812,390</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Expenses - Medical Supplies and Drugs
Years Ended September 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Nursing services	\$ 95,967	\$ 71,150	\$ 41,636
Behavioral health	9,714	8,404	6,976
Wellness center	554	1,502	509
Radiology	79,360	85,853	83,569
Laboratory and blood	345,587	400,509	351,283
IV therapy	-0-	-0-	252
Respiratory therapy	49,968	40,547	35,234
Physical therapy	5,476	7,831	11,641
Occupational therapy	1,524	2,229	2,143
Central supply	576	3,010	3,843
Pharmacy	338,835	293,389	398,846
Pharmacy 340B	229,178	-0-	-0-
Emergency room	84,979	80,309	62,407
Ambulance	34,651	33,710	36,479
Home health	15,734	11,945	13,599
Jena Rural Health Clinic	168,986	210,583	134,918
Industrial medicine	-0-	2,355	-0-
Nursing home supplies	<u>337,476</u>	<u>325,895</u>	<u>346,369</u>
 Total medical supplies and drugs	 \$ <u>1,798,565</u>	 \$ <u>1,579,221</u>	 \$ <u>1,529,704</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Expenses - Professional Fees
Years Ended September 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Radiology	\$ 208,634	\$ 213,965	\$ 190,146
Laboratory	251,285	187,415	158,402
Physical therapy	619,245	521,547	570,682
Speech therapy	6,449	-0-	15
EKG, EEG	3,510	355	500
Emergency room	1,115,868	909,375	605,046
Pharmacy	6,900	6,900	6,875
Jena Rural Health Clinic	<u>641,999</u>	<u>631,151</u>	<u>630,373</u>
 Total professional fees	 \$ <u>2,853,890</u>	 \$ <u>2,470,708</u>	 \$ <u>2,162,039</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Expenses - Other Expenses
Years Ended September 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contract services	\$ 154,617	\$ 145,444	\$ 166,273
Consultants	1,547,117	1,630,502	1,283,273
Behavioral health unit consultants	1,994,155	2,313,490	1,719,120
Legal and accounting	92,617	87,591	95,887
Supplies	744,216	729,342	794,276
Laundry contract services	236,308	149,608	138,568
Repairs and maintenance	676,063	649,712	645,790
Utilities	419,356	402,998	564,608
Telephone	124,930	88,063	48,789
Travel	96,866	148,116	112,861
Rentals	152,211	114,481	186,872
Advertising	183,513	138,623	101,957
Recruitment	62,174	6,057	54,206
Dues and subscriptions	306,759	196,824	423,284
Inter-governmental transfer expense	1,190,254	1,045,214	878,064
Miscellaneous	88,684	91,406	102,342
Provider tax	<u>322,947</u>	<u>310,106</u>	<u>377,162</u>
 Total other expenses	 \$ <u>8,392,787</u>	 \$ <u>8,247,577</u>	 \$ <u>7,693,332</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position
September 30, 2020

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 10,272,251	\$ 2,204,988	\$ -0-	\$ 12,477,239
Assets whose use is limited - required for current liabilities	-0-	22,750	-0-	22,750
Accounts receivable, net of estimated uncollectibles	2,345,815	407,784	-0-	2,753,599
Estimated third-party payor settlements	1,398,800	26,811	-0-	1,425,611
Other receivables	240,847	5,563,810	(5,272,565)	532,092
Inventory	283,873	-0-	-0-	283,873
Prepaid expenses	214,158	65,184	-0-	279,342
Total Current Assets	<u>14,755,744</u>	<u>8,291,327</u>	<u>(5,272,565)</u>	<u>17,774,506</u>
Non-Current Assets				
Nondepreciable capital assets (Note 5)	793,920	28,565	-0-	822,485
Depreciable capital assets (Note 5)	10,078,075	1,299,071	-0-	11,377,146
Assets limited as to use	2,886,068	202,850	-0-	3,088,918
Other assets	<u>13,667</u>	<u>25</u>	<u>-0-</u>	<u>13,692</u>
Total Assets	<u>\$ 28,527,474</u>	<u>\$ 9,821,838</u>	<u>\$ (5,272,565)</u>	<u>\$ 33,076,747</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities				
Accounts payable	\$ 1,338,236	\$ 145,358	\$ -0-	\$ 1,483,594
Cash overdraft	-0-	-0-	-0-	-0-
Accrued expenses and withholdings payable	1,063,813	199,146	(33,760)	1,229,199
Estimated third-party payable	272,340	-0-	-0-	272,340
Deferred revenue	8,848,153	414,185	-0-	9,262,338
Liabilities of limited use assets	-0-	225,600	-0-	225,600
Retirement plan payable	408,086	-0-	-0-	408,086
Current maturities of long-term debt	<u>599,640</u>	<u>-0-</u>	<u>-0-</u>	<u>599,640</u>
Total Current Liabilities	<u>12,530,268</u>	<u>984,289</u>	<u>(33,760)</u>	<u>13,480,797</u>
Long-term debt, net of current maturities	<u>12,051,290</u>	<u>630,815</u>	<u>(5,238,805)</u>	<u>7,443,300</u>
Total Liabilities	<u>24,581,558</u>	<u>1,615,104</u>	<u>(5,272,565)</u>	<u>20,924,097</u>
Net Position				
Invested in capital assets, net of related debt	261,415	1,327,636	5,238,805	6,827,856
Restricted	2,886,068	202,850	-0-	3,088,918
Unrestricted	<u>798,438</u>	<u>6,676,243</u>	<u>(5,238,805)</u>	<u>2,235,876</u>
Total Net Position	<u>3,945,921</u>	<u>8,206,729</u>	<u>-0-</u>	<u>12,152,650</u>
Total Liabilities and Net Position	<u>\$ 28,527,479</u>	<u>\$ 9,821,833</u>	<u>\$ (5,272,565)</u>	<u>\$ 33,076,747</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position
September 30, 2019

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 90,391	\$ 641,602	\$ -0-	\$ 731,993
Assets whose use is limited - required for current liabilities	-0-	12,571	-0-	12,571
Accounts receivable, net of estimated uncollectibles	3,004,937	779,223	-0-	3,784,160
Estimated third-party payor settlements	858,829	-0-	-0-	858,829
Other receivables	38,941	5,522,947	(5,272,565)	289,323
Inventory	238,717	-0-	-0-	238,717
Prepaid expenses	80,268	53,664	-0-	133,932
Total Current Assets	<u>4,312,083</u>	<u>7,010,007</u>	<u>(5,272,565)</u>	<u>6,049,525</u>
Non-Current Assets				
Nondepreciable capital assets (Note 5)	292,638	28,565	-0-	321,203
Depreciable capital assets (Note 5)	9,761,826	1,373,326	-0-	11,135,152
Assets limited as to use	1,022,176	-0-	-0-	1,022,176
Other assets	<u>15,945</u>	<u>25</u>	<u>-0-</u>	<u>15,970</u>
Total Assets	<u>\$ 15,404,668</u>	<u>\$ 8,411,923</u>	<u>\$ (5,272,565)</u>	<u>\$ 18,544,026</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities				
Accounts payable	\$ 1,384,127	\$ 147,420	\$ -0-	\$ 1,531,547
Cash overdraft	68,602	-0-	-0-	68,602
Accrued expenses and withholdings payable	1,068,987	154,983	(33,760)	1,190,210
Estimated third-party payable	272,340	6,186	-0-	278,526
Deferred revenue	-0-	-0-	-0-	-0-
Liabilities of limited use assets	-0-	12,571	-0-	12,571
Retirement plan payable	382,616	-0-	-0-	382,616
Current maturities of long-term debt	<u>412,704</u>	<u>-0-</u>	<u>-0-</u>	<u>412,704</u>
Total Current Liabilities	<u>3,589,376</u>	<u>321,160</u>	<u>(33,760)</u>	<u>3,876,776</u>
Long-term debt, net of current maturities	<u>8,380,415</u>	<u>-0-</u>	<u>(5,238,805)</u>	<u>3,141,610</u>
Total Liabilities	<u>11,969,791</u>	<u>321,160</u>	<u>(5,272,565)</u>	<u>7,018,386</u>
Net Position				
Invested in capital assets, net of related debt	1,261,345	1,401,891	5,238,805	7,902,041
Restricted	1,022,176	-0-	-0-	1,022,176
Unrestricted	<u>1,151,356</u>	<u>6,688,872</u>	<u>(5,238,805)</u>	<u>2,601,423</u>
Total Net Position	<u>3,434,877</u>	<u>8,090,763</u>	<u>-0-</u>	<u>11,525,640</u>
Total Liabilities and Net Position	<u>\$ 15,404,668</u>	<u>\$ 8,411,923</u>	<u>\$ (5,272,565)</u>	<u>\$ 18,544,026</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position
September 30, 2018

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 77,449	\$ 867,264	\$ -0-	\$ 944,713
Assets whose use is limited - required for current liabilities	-0-	13,496	-0-	13,496
Accounts receivable, net of estimated uncollectibles	3,599,981	598,509	-0-	4,198,490
Estimated third-party payor settlements	1,187,152	114,809	-0-	1,301,961
Other receivables	74	5,486,014	(5,272,565)	213,523
Inventory	214,000	-0-	-0-	214,000
Prepaid expenses	41,686	49,719	-0-	91,405
Total Current Assets	<u>5,120,342</u>	<u>7,129,811</u>	<u>(5,272,565)</u>	<u>6,977,588</u>
Non-Current Assets				
Nondepreciable capital assets (Note 5)	1,690,768	28,565	-0-	1,719,333
Depreciable capital assets (Note 5)	7,986,615	1,351,722	-0-	9,338,337
Assets limited as to use	2,335,817	-0-	-0-	2,335,817
Other assets	18,222	25	-0-	18,247
Total Assets	<u>\$ 17,151,764</u>	<u>\$ 8,510,123</u>	<u>\$ (5,272,565)</u>	<u>\$ 20,389,322</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts payable	\$ 1,041,783	\$ 148,689	\$ -0-	\$ 1,190,472
Cash overdraft	-0-	-0-	-0-	-0-
Accrued expenses and withholding payable	1,000,676	163,867	(33,760)	1,130,783
Estimated third-party payables	272,340	-0-	-0-	272,340
Deferred revenue	-0-	-0-	-0-	-0-
Liabilities of limited use assets	-0-	13,496	-0-	13,496
Retirement plan payable	715,160	-0-	-0-	715,160
Current maturities of long-term debt	434,350	-0-	-0-	434,350
Total Current Liabilities	<u>3,464,309</u>	<u>326,052</u>	<u>(33,760)</u>	<u>3,756,601</u>
Long-term debt, net of current maturities	<u>8,569,929</u>	<u>-0-</u>	<u>(5,238,805)</u>	<u>3,331,124</u>
Total Liabilities	<u>12,034,238</u>	<u>326,052</u>	<u>(5,272,565)</u>	<u>7,087,725</u>
Net Position				
Invested in capital assets, net of related debt	673,104	1,380,287	5,238,805	7,292,196
Restricted	2,335,817	-0-	-0-	2,335,817
Unrestricted	2,108,605	6,803,784	(5,238,805)	3,673,584
Total Net Position	<u>5,117,526</u>	<u>8,184,071</u>	<u>-0-</u>	<u>13,301,597</u>
Total Liabilities and Net Assets	<u>\$ 17,151,764</u>	<u>\$ 8,510,123</u>	<u>\$ (5,272,565)</u>	<u>\$ 20,389,322</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2020

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
Revenues				
Net patient service revenue	\$ 18,393,396	\$ 5,788,474	\$ -0-	\$ 24,181,870
Operating grants	89,150	-0-	-0-	89,150
Intergovernmental transfer grants	1,079,028	-0-	-0-	1,079,028
Other operating revenue	<u>1,549,360</u>	<u>1,012</u>	<u>(595,209)</u>	<u>955,163</u>
 Total Revenues	 <u>21,110,934</u>	 <u>5,789,486</u>	 <u>(595,209)</u>	 <u>26,305,211</u>
Expenses				
Salaries and benefits	12,081,545	3,733,500	-0-	15,815,045
Medical supplies and drugs	1,461,089	337,476	-0-	1,798,565
Insurance	335,715	67,855	-0-	403,570
Professional fees	2,227,865	626,025	-0-	2,853,890
Other expenses	7,453,925	1,534,071	(595,209)	8,392,787
Depreciation and amortization	<u>882,833</u>	<u>124,344</u>	<u>-0-</u>	<u>1,007,177</u>
 Total Expenses	 <u>24,442,972</u>	 <u>6,423,271</u>	 <u>(595,209)</u>	 <u>30,271,034</u>
 Operating Income (Loss)	 <u>(3,332,038)</u>	 <u>(633,785)</u>	 <u>-0-</u>	 <u>(3,965,823)</u>
Nonoperating Revenues				
Ad valorem taxes	282,015	-0-	-0-	282,015
Interest income	21,402	35,432	(35,059)	21,775
Interest expense	(199,222)	-0-	35,059	(164,163)
Provider relief funds	3,203,941	511,472	-0-	3,715,413
Gain (loss) on disposal of assets	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Changes in Net Position before Capital Grants	 <u>(23,902)</u>	 <u>(86,881)</u>	 <u>-0-</u>	 <u>(110,783)</u>
Capital grants	<u>737,793</u>	<u>-0-</u>	<u>-0-</u>	<u>737,793</u>
 Changes in Net Position	 713,891	 (86,881)	 -0-	 627,010
 Beginning Net Position	 <u>3,434,877</u>	 <u>8,090,763</u>	 <u>-0-</u>	 <u>11,525,640</u>
 Ending Net Position	 <u>\$ 4,148,768</u>	 <u>\$ 8,003,882</u>	 <u>\$ -0-</u>	 <u>\$ 12,152,650</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2019

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
Revenues				
Net patient service revenue	\$ 18,679,313	\$ 5,605,686	\$ -0-	\$ 24,284,999
Operating grants	6,162	-0-	-0-	6,162
Intergovernmental transfer grants	1,483,188	-0-	-0-	1,483,188
Other operating revenue	854,924	507	(568,660)	286,771
Total Revenues	<u>21,023,587</u>	<u>5,606,193</u>	<u>(568,660)</u>	<u>26,061,120</u>
Expenses				
Salaries and benefits	11,025,136	3,220,011	-0-	14,245,147
Medical supplies and drugs	1,253,326	325,895	-0-	1,579,221
Insurance	255,316	73,163	-0-	328,479
Professional fees	1,942,276	528,432	-0-	2,470,708
Other expenses	7,355,824	1,460,413	(568,660)	8,247,577
Depreciation and amortization	943,107	126,942	-0-	1,070,049
Total Expenses	<u>22,774,985</u>	<u>5,734,856</u>	<u>(568,660)</u>	<u>27,941,181</u>
Operating Income (Loss)	<u>(1,751,398)</u>	<u>(128,663)</u>	<u>-0-</u>	<u>(1,880,061)</u>
Nonoperating Revenues				
Ad valorem taxes	266,969	-0-	-0-	266,969
Interest income	12,740	35,059	(35,059)	12,740
Interest expense	(210,977)	-0-	35,059	(175,918)
Provider relief funds	-0-	-0-	-0-	-0-
Gain (loss) on disposal of assets	20	293	-0-	313
Changes in Net Position before Capital Grants	<u>(1,682,646)</u>	<u>(93,311)</u>	<u>-0-</u>	<u>(1,775,957)</u>
Capital grants	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Changes in Net Position	<u>(1,682,646)</u>	<u>(93,311)</u>	<u>-0-</u>	<u>(1,775,957)</u>
Beginning Net Position	<u>5,117,523</u>	<u>8,184,074</u>	<u>-0-</u>	<u>13,301,597</u>
Ending Net Position	<u>\$ 3,434,877</u>	<u>\$ 8,090,763</u>	<u>\$ -0-</u>	<u>\$ 11,525,640</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2018

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
Revenues				
Net patient service revenue	\$ 19,729,288	\$ 6,408,406	\$ -0-	\$ 26,137,694
Operating grants	6,428	-0-	-0-	6,428
Intergovernmental transfer grants	761,962	-0-	-0-	761,962
Other operating revenue	986,683	581	(659,079)	328,185
 Total Revenues	 <u>21,484,361</u>	 <u>6,408,987</u>	 <u>(659,079)</u>	 <u>27,234,269</u>
Expenses				
Salaries and benefits	10,225,328	3,587,062	-0-	13,812,390
Medical supplies and drugs	1,183,335	346,369	-0-	1,529,704
Insurance	231,129	72,073	-0-	303,202
Professional fees	1,584,497	577,542	-0-	2,162,039
Other expenses	6,671,962	1,680,449	(659,079)	7,693,332
Depreciation and amortization	823,481	133,641	-0-	957,122
 Total Expenses	 <u>20,719,732</u>	 <u>6,397,136</u>	 <u>(659,079)</u>	 <u>26,457,789</u>
 Operating Income (Loss)	 <u>764,629</u>	 <u>11,851</u>	 <u>-0-</u>	 <u>776,480</u>
Nonoperating Revenues				
Ad valorem taxes	255,800	-0-	-0-	255,800
Interest income	10,939	35,097	(35,097)	10,939
Interest expense	(66,827)	-0-	35,097	(31,730)
Provider relief funds	-0-	-0-	-0-	-0-
Gain (loss) on disposal of assets	(79,839)	-0-	-0-	(79,839)
 Changes in Net Position before Capital Grants	 884,702	 46,948	 -0-	 931,650
Capital grants	-0-	-0-	-0-	-0-
 Changes in Net Position	 <u>884,702</u>	 <u>46,948</u>	 <u>-0-</u>	 <u>931,650</u>
 Beginning Net Position	 <u>4,232,821</u>	 <u>8,137,126</u>	 <u>-0-</u>	 <u>12,369,947</u>
 Ending Net Position	 <u>\$ 5,117,523</u>	 <u>\$ 8,184,074</u>	 <u>\$ -0-</u>	 <u>\$ 13,301,597</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Per Diem and
Other Compensation Paid to Board Members
Years Ended September 30, 2020, 2019, and 2018

	<u>TERM</u> <u>EXPIRES</u>	<u>2020</u>	-Compensation- <u>2019</u>	<u>2018</u>
Board Members				
Janice Doshier	April 2026	NONE	NONE	NONE
Steve Crooks	April 2023	NONE	NONE	NONE
Sandra Webster	April 2022	NONE	NONE	NONE
Robert Kendrick, M.D.	April 2024	NONE	NONE	NONE
Tom Watkins	April 2024	NONE	NONE	NONE
I.C. Turnley, Jr., M.D.	RETIRED	RETIRED	NONE	NONE
Charles O. Williams, C.P.A.	EXPIRED	EXPIRED	NONE	NONE

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Compensation, Benefits, and Other Payments
to Chief Executive Officers
Year Ended September 30, 2020

Agency Head Name: Lana Francis
Position: Chief Executive Officer
Time Period: October 1, 2019 to September 30, 2020

<u>Purpose</u>	<u>Amount</u>
Salary	123,569
Health insurance	14,812
Retirement (FICA replacement plan)	2,938
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	98
Travel	-0-
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-

Agency Head Name: Phyllis Bryan
Position: Administrator
Time Period: October 1, 2019 to September 30, 2020

<u>Purpose</u>	<u>Amount</u>
Salary	117,239
Health insurance	15,589
Retirement (FICA replacement plan)	4,650
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	889
Travel	-0-
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Hospital Service District No. 2
Parish of LaSalle, State of Louisiana
Jena, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Hospital Service District No. 2, Parish of LaSalle, the ("District"), a component unit of the LaSalle Parish Police Jury, as of and for the years ended September 30, 2020, 2019, and 2018, and the related notes to the financial statements, which collectively comprise the District's combined financial statements as listed in the table of contents, and have issued our report thereon dated May 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we identified deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2020-002 to be a material weakness.

Board of Commissioners
Hospital Service District No. 2
Parish of LaSalle, State of Louisiana
Jena, Louisiana
Page Two

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2020-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Commissioners, management and others within the organization and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants
Alexandria, Louisiana

May 24, 2021



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Current Year Findings and Responses
Year Ended September 30, 2020

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weaknesses identified - Yes
- Significant deficiencies identified - Yes

Compliance

- Noncompliance issues noted - No

Management letter issued - No

Federal Awards - Not applicable

Section II. Financial Statement Findings

FINDING 2020-001 - Segregation of Duties

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

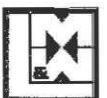
Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Response: Due to the size of our organization, and the abilities of current staff, we will continue to closely supervise and review the accounting, recording, and custody functions.

FINDING 2020-002 - Third-party Payor Settlements

Finding: Management is responsible for calculating and recording estimates of interim (Medicare and Medicaid) cost settlements. After preparation of the current year cost report, year-end receivables increased by \$992,000 and contractual adjustments decreased by \$992,000.

Recommendation: Management should calculate and record settlements based on interim cost report calculations, if the cost does not exceed the benefits. Establishing separate general ledger accounts for each cost report settlement year should be helpful in managing the settlements.



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Current Year Findings and Responses
Year Ended September 30, 2020

Section II. Financial Statement Findings (Continued)

FINDING 2020-002 - Third-party Payor Settlements (Continued)

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from preparing interim cost reports. It is more efficient and cost effective for external cost report preparers to prepare the cost reports at year-end. Management will record differences between interim payments and actual cost report settlements. These differences will be charged against income in future periods when determinable. Contract Chief Financial Officer will review interim adjustments on a monthly basis. District staff will ensure during each month that all third-party payor settlements are recorded to correct general ledger accounts.

Section III. Federal Awards Findings and Questioned Costs

Not applicable

Section IV. Management Letter

Not applicable



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Prior Year Findings and Responses
Year Ended September 30, 2020

Section I. Financial Statement Findings

FINDING 2019-001 - Draft of Financial Statements

Fiscal Year Initially Reported: September 30, 2007

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary internally to complete the reporting requirements.

Recommendation: Management should either (a) obtain the knowledge and/or resources necessary to internally prepare or review the auditors' preparation of the Hospital's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control deficiency.

Resolution: Resolved

FINDING 2019-002 - Segregation of Duties

Fiscal Year Initially Reported: September 30, 2007

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Response: Due to the size of our organization, and the abilities of current staff, we will continue to closely supervise and review the accounting, recording, and custody functions.

Resolution: Not resolved - see finding 2020-001.



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Prior Year Findings and Responses
Year Ended September 30, 2020

Section I. Financial Statement Findings (Continued)

FINDING 2019-003 - Third-party Payor Settlements

Fiscal Year Initially Reported: September 30, 2015

Finding: Management is responsible for calculating and recording estimates of interim (Medicare and Medicaid) cost settlements. After preparation of the current year cost report, year-end receivables increased by \$344,000 and contractual adjustments decreased by \$344,000. Various third-party receivables/payables were found to be inaccurately recorded on the general ledger during fiscal year 2019.

Recommendation: Management should calculate and record settlements based on interim cost report calculations, if the cost does not exceed the benefits. Establishing separate general ledger accounts for each cost report settlement year should be helpful in managing the settlements.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from preparing interim cost reports. It is more efficient and cost effective for external cost report preparers to prepare the cost reports at year-end. Management will record differences between interim payments and actual cost report settlements. These differences will be charged against income in future periods when determinable. Contract Chief Financial Officer will review interim adjustments on a monthly basis. District staff will ensure during each month that all third-party payor settlements are recorded to correct general ledger accounts.

Resolution: Not resolved - see finding 2020-002.

FINDING 2019-004 - Contractual Allowances

Fiscal Year Initially Reported: September 30, 2018

Finding: The allowances for accounts receivable were understated by approximately \$700,000, which overstated net income by the same amount. The model utilized was based on prior year percentages, was not updated for current reimbursement percentages, and excluded the in-house claims at year-end.

Recommendation: We recommend reviewing the calculation and making the necessary adjustments to provide an accurate estimate of the allowances for accounts receivable. Also, all claims pertinent to the allowances at year-end should be included in the calculation.

Response: Management has updated the method used for calculating Medicare and Medicaid contractals. This method includes utilizing twelve (12) months of payment data for Medicare, Medicaid, and Commercial payors. Utilizing the new model, which updates monthly, we can be sure that the reimbursement percentages are current and accurate, providing for a more accurate estimate of allowances for accounts receivable.

Resolution: Resolved



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Prior Year Findings and Responses
Year Ended September 30, 2020

Section II. Federal Awards Findings and Questioned Costs

Not applicable

Section III. Management Letter

Not applicable



